

A FUNDER'S GUIDE TO COLORING OUTSIDE THE LINES

Direct Charitable Activities, Recoverable
Grants, Intermediaries, and Fiscal
Sponsors

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OUR PATH TODAY

- **Direct Charitable Activities**
 - *What are DCAs?*
 - *Why are they helpful?*
 - *How do you structure/report them?*
 - *How can you guide success?*
- **Recoverable Grants**
 - *What are RCs?*
 - *Why are they useful? What are the merits/challenges?*
 - *How do you structure?*
 - *How can you guide success?*
- **Intermediaries and Fiscal Sponsors**
 - *What are intermediaries and Fiscal Sponsors?*
 - *Why are fiscal sponsor arrangements used?*
 - *How do you structure?*
 - *How can you guide success?*

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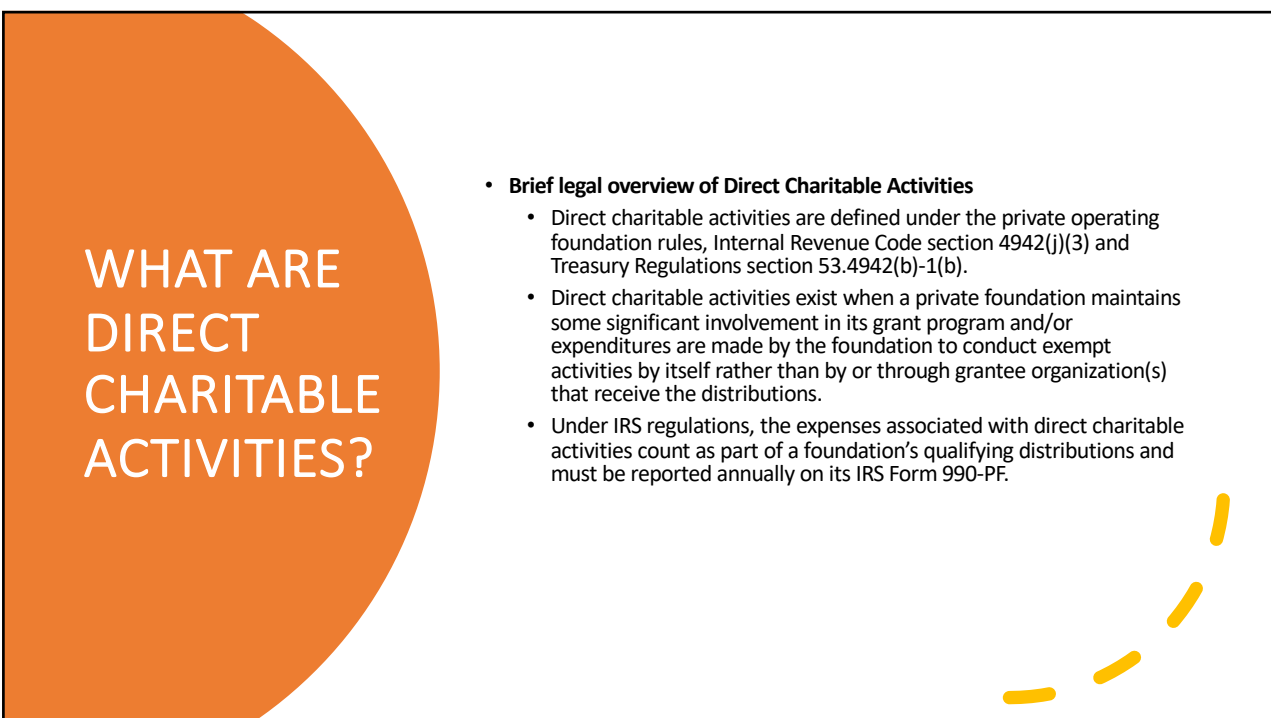
Objective

- How can funders support and leverage these less traditional tools to advance mission, build capacity and resilience in the field, achieve more equity in philanthropy, minimize duplicative and excessive transaction costs, and comply with all legal requirements?
- What should funders and funded groups think about considering these tools?

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WHAT ARE DIRECT CHARITABLE ACTIVITIES?

- **Brief legal overview of Direct Charitable Activities**
 - Direct charitable activities are defined under the private operating foundation rules, Internal Revenue Code section 4942(j)(3) and Treasury Regulations section 53.4942(b)-1(b).
 - Direct charitable activities exist when a private foundation maintains some significant involvement in its grant program and/or expenditures are made by the foundation to conduct exempt activities by itself rather than by or through grantee organization(s) that receive the distributions.
 - Under IRS regulations, the expenses associated with direct charitable activities count as part of a foundation's qualifying distributions and must be reported annually on its IRS Form 990-PF.
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EXAMPLES OF DIRECT CHARITABLE ACTIVITIES

- Conducting educational seminars and conferences
- Providing goods, shelter, or clothing in which the foundation maintains some significant involvement (e.g., the distribution or delivery of the materials)
- Conducting scientific, historic, public policy, or other research with significance beyond the foundation's grant program, that does not constitute a prohibited attempt to influence legislation
- Publishing and disseminating the results of such research, reports of educational conferences, or similar educational material
- Supporting the service of foundation staff on boards or advisory committees of other charitable organizations or on public commissions or task forces
- Providing technical advice or assistance to grantees and other charitable organizations.

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EXAMPLES OF DIRECT CHARITABLE ACTIVITIES

- **Direct Charitable Activity Examples (cont.):**
 - Acquiring or maintaining the operating assets of a museum, library, or historic site
 - Operating a home for the elderly or disabled
 - Providing technical advice or assistance to a governmental body, a governmental committee, or subdivision of either, in response to a written request by the governmental body, committee, or subdivision
 - Conducting performing arts performances

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"Direct Charitable Activities, Recoverable Grants, and Funding Intermediaries and Fiscal Sponsors"